

MOMENTUM METROPOLITAN HOLDINGS LIMITED

Incorporated in the Republic of South Africa

Registration number: 2000/031756/06

JSE share code: MTM

A2X share code: MTM

NSX share code: MMT

ISIN code: ZAE000269890

("Momentum Metropolitan" or "the Group")

MOMENTUM METROPOLITAN LIFE LIMITED

Incorporated in the Republic of South Africa

Registration number: 1904/002186/06

Company code: MMIG

("Momentum Metropolitan Life")

Audited financial results for the year ended 30 June 2020 and changes to the Board

Financial results for the year ended 30 June 2020 – short form announcement

	Basic			Diluted		
	F2020	F2019	Δ%	F2020	F2019	Δ%
Earnings (R million)	178	2 255	(92)%	178	2 275	(92)%
Headline earnings (R million)	1 036	2 474	(58)%	1 036	2 494	(58)%
Normalised headline earnings (R million) ¹				1 521	3 074	(51)%
Earnings per share (cents)	12.3	153.1	(92)%	12.3	151.6	(92)%
Headline earnings per share (cents)	71.3	168.0	(58)%	71.3	166.2	(57)%
Normalised headline earnings per share (cents) ¹				101.5	202.5	(50)%
Interim dividend per share - March (cents)				40	35	14%
Final dividend per share - September (cents)				-	35	
Total dividend per share (cents)				40	70	(43)%
Present value of new business premiums				50 447	55 783	(10)%
Value of new business				280	541	(48)%
Value of new business margin				0.6%	1.0%	
Diluted embedded value per share (R)				25.70	27.48	(6)%
Return on embedded value				(3.7)%	8.0%	
Return on embedded value per share				(3.8)%	9.4%	
Diluted number of shares in issue (m)				1 499	1 499	-
Diluted weighted average number of shares (m)				1 499	1 518	(1)%

¹ Normalised headline earnings adjust the standard JSE definition of headline earnings for the dilutive impact of finance costs related to preference shares that can be converted into ordinary shares of the Group, the impact of treasury shares, the amortisation of intangible assets arising from business combinations and B-BBEE costs. The adjustment for the impact of treasury shares removes mismatches that might arise from elimination of treasury shares (potential mismatches that are peculiar to financial institutions that invest in their own securities on behalf of clients). The definition of normalised headline earnings remains unchanged.

Net asset value

R million	F2020	F2019	Δ%
Total assets	506 393	502 605	1%
Total liabilities	(483 446)	(479 059)	(1)%
Total equity	22 947	23 546	(3)%

Momentum Metropolitan looks beyond Covid-19

Financial performance

Momentum Metropolitan remained on track to deliver on its Reset and Grow target of normalised headline earnings between R3.6 billion to R4.0 billion by F2021, until the Covid-19 pandemic started to impact South Africa in early March 2020. It is pleasing that the initial focus and success on the Reset objectives enabled us to start making progress on the Grow objectives. The Reset and Grow strategy was the right strategy at the right time, as it certainly put us in a better position to handle the impact of the pandemic, and it contributed to good operational results in F2020, despite the Covid-19 related turmoil in the second half of the financial year.

In line with our external environment, Momentum Metropolitan was and continues to be impacted by the expected worsening in claims experience, lower new business volumes, increased risk of policy lapses or withdrawals, lower investment returns, and additional expenses related to operational and risk management initiatives to effectively deal with the crisis.

Momentum Metropolitan Holdings Limited (“Momentum Metropolitan” or “Group”) delivered normalised headline earnings of R1 521 million for the 12 months, which includes a loss of R251 million for the second half of the year. This loss was largely due to additional provisions that were raised, with a net negative impact of R983 million for potential adverse claims experience and policyholder lapses and withdrawals related to the Covid-19 pandemic. Furthermore, the partial recovery of investment markets during the last quarter did not fully offset the impact of severe market related losses reported in the third quarter of the year. The net market losses included in normalised headline earnings for the year was R975 million.

Covid-19 therefore significantly impacted our results for F2020. Excluding the impact of these two items, earnings from operational activities of R3 479 million (after-tax) demonstrate a continuation of our pre-Covid-19 momentum and robustness of our underlying results.

Normalised headline earnings by business unit were as follows:

R million	F2020	F2019	Δ%
Momentum Life	416	883	(53)%
Momentum Investments	303	512	(41)%
Metropolitan Life	302	610	(50)%
Momentum Corporate	260	601	(57)%
Non-life Insurance	405	164	147%
Momentum Metropolitan Africa	317	262	21%
Earnings from operating segments	2 003	3 032	(34)%
New Initiatives	(509)	(492)	(3)%
Shareholders	27	534	(95)%
Normalised headline earnings	1 521	3 074	(51)%

Momentum Investments continued its growth trajectory and saw good new business and investment flows throughout the year. In Metropolitan Life the sustained operational focus to improve the quality of business resulted in improved new business margins despite lockdown-related costs in its agency force. The Non-life Insurance operations continued to deliver good growth, further supported by the acquisition and integration of Momentum Insurance (formerly Alexander Forbes Insurance). The businesses in other African countries contributed with positive earnings growth year-on-year on the back of satisfactory operating performance, despite the impact of the additional provisions related to Covid-19.

We maintained our stringent focus on efficiency initiatives and the controllable administration expenses increased by 2%, well below inflation. Increases in expenses to accelerate developments of our digital capabilities and servicing platforms, as well as cost to enable working from home, were offset by tight control on headcount and a reduction in items such as travel and entertainment – this partially due to the lockdown restrictions.

New business volumes, as measured by the present value of new business premiums (“PVNBP”), and value of new business declined by 10% and 48% to R50.5 billion and R280 million, respectively. Excluding the impact of a R5 billion with-profit annuity transaction included in the prior year, the PVNBP remained flat year-on-year. This is a commendable achievement, considering the impact of the national lockdown and the slowdown in economic activity during the fourth quarter.

The value of new business was negatively impacted by additional costs incurred in the distribution channels to support staff and business partners during the lockdown phase.

Key new business metrics	F2020	F2019	Δ%
Recurring premiums (R million)	3 417	3 952	(14)%
Single premiums (R million)	33 189	34 183	(3)%
PVNBP (R million)	50 447	55 783	(10)%
Value of new business (R million)	280	541	(48)%
New business margin	0.6%	1.0%	

Solvency

The Group remains well capitalised with a strong balance sheet. The regulatory solvency position of Momentum Metropolitan Life, the Group’s main life insurance entity, decreased from 2.08 times the Solvency Capital Requirement (“SCR”) at 30 June 2019 to 1.85 times SCR at 30 June 2020. The decline in the solvency position is due to the impact of the pandemic, including the falls in investment markets and additional provisions for Covid-19 related claims and policyholder behaviour, as well as the recent acquisition of Momentum Insurance.

Final dividend declaration

The Group’s dividend policy is to declare ordinary dividends within a dividend cover range of 2.0 to 3.0 times normalised headline earnings. As a result of the negative normalised headline earnings during the second half of the year, a final ordinary dividend has not been declared in respect of the 12 months ended 30 June 2020.

The Group remains comfortable with its dividend policy and expect that ordinary dividends will be resumed in line with the dividend policy as the normalised headline earnings recover.

Changes to the Board

Retirement of JJ Njeke and appointment of Sello Moloko as Chairman of the Momentum Metropolitan Board

JJ Njeke, the Chairman of the Momentum Metropolitan Board will retire at the annual general meeting on 26 November 2020. JJ has been providing guidance and direction to the business since 2011 when the Group was formed through the merger of the Momentum Group and Metropolitan Holdings. Before the merger, he was Chairman of the Metropolitan Holdings Board. The Group would like to sincerely thank JJ for his wisdom and valuable counsel, and for successfully leading the board in the first chapter of the Group's history.

The Group is pleased to announce that Sello Moloko will assume the role of Chairman of the Board at the annual general meeting to be held on 26 November 2020. Sello joined the Board on 1 March 2019 and is currently the Lead Independent Director. Sello has a wealth of business experience and was previously Chief Executive Officer of Old Mutual Asset Managers and Chairman of the Alexander Forbes Group, General Reinsurance Africa, and Sibanye-Stillwater. He is currently the Executive Chairman and co-founder of the Thesele Group, a black-owned investment holding company.

Changes to Board Committees

The Board wishes to advise the shareholders of the following changes to Board Committees, with immediate effect:

- Ms Linda de Beer has been appointed as a member of the Nominations Committee
- Ms Lisa Chiume and Ms Jeanette Cilliers (Marais) have been appointed as members of the Fair Practices Committee
- Mr Paballo Makosholo has been appointed as a member of the Investments Committee as well as the Social, Ethics and Transformation Committee

Furthermore, Mr Kehla Shubane and Mr Johan van Reenen will retire from the Board at the Group's annual general meeting on 26 November 2020. Following the retirement of Mr Kehla Shubane, Dr Sharron McPherson will become Chairman of the Social, Ethics and Transformation Committee, effective 27 November 2020.

Broadening our ownership

Momentum Metropolitan is committed to social and economic inclusivity. We consider the alignment of the interests of various stakeholders as the most effective way of achieving meaningful value creation for all stakeholders. The Group is proposing the establishment of a broad-based employee share ownership scheme, which will acquire 3% of the Group's ordinary share capital. The share ownership scheme is structured as a trust to the benefit of all the Group's South African based employees. The scheme is subject to certain suspensive conditions, including approval from existing shareholders. The scheme aspires to realise broad-based black socio-economic transformation, through the empowerment of employees to participate as shareholders in the business.

Operational highlights

- **Continued delivery on product innovation:** in order to help relieve the financial burdens of our clients during this difficult time, the Group enhanced the portfolio of product offerings.
- **Retaining a robust capital position:** we regularly assess our solvency levels to ensure our position remains strong, even under extreme economic scenarios. Given the recent falls observed in the investment markets, our balance sheet can weather the Covid-19 pandemic.

- **High quality service and productive distribution channels:** our face-to-face advisors and service centres remained engaged with our clients, maintaining good levels of operational service and productivity, as the plans to work-from-home involved minimal disruption.
- **Greater focus on business continuity and driving efficiency gains:** we continued to focus on driving efficiencies through disciplined expense management. This is a common theme across the various businesses.
- **Deploying capital on growth assets:** the plans to scale our short-term operations have been successfully achieved and the strength of our India operations is evident by its sustained business growth.
- **Looking after our people:** we have quickly adapted to the changes in our operating environment to keep our people engaged, connected and supported as we transition to this new phase of business operations.

Outlook

We are satisfied with Momentum Metropolitan's resilient performance during the Covid-19 pandemic, and we are optimistic about our ability to effectively manage the demands of a post-Covid-19 environment. However, the uncertainty about the path of the pandemic and the expected long-term negative impact on the economy will probably lead to weaker investment returns and lower new business and persistency levels in the medium term.

As a result of the Covid-19 pandemic we will most likely not achieve the Reset and Grow target of normalised headline earnings between R3.6 billion to R4.0 billion in F2021. Given the uncertainty of the current situation, it will be speculative to provide firm guidance on our financial results over the next year, however, we will be disappointed if the Group does not improve materially on the current year's results.

Despite the trying environment, many of the "Grow" initiatives within the Reset and Grow strategy are still relevant. We continue to work on delivering on these initiatives that largely revolve around sales and service, product improvements, advancement of digital capabilities, and greater cost efficiencies. Even before the start of the Covid-19 pandemic, we had initiated a process to assess and redefine our strategic goals beyond F2021. The changing environment brought about by Covid-19 has been incorporated into this planning work. We will continue to build on our strengths and successes to date.

Short form statement

This announcement is the responsibility of the directors. The information in this short form announcement, including the financial information on which the outlook is based, has not been reviewed and reported on by Momentum Metropolitan's external auditors. Financial figures in this announcement have been correctly extracted from the audited annual financial statements, on which the auditors expressed an unqualified opinion. It is only a summary of the information contained in the full announcement and does not contain full or complete details. Any investment decision should be based on the full SENS announcement accessible from Wednesday 9 September 2020, via the JSE link and also available on the Company's website at <https://www.momentummetropolitan.co.za/en/investor-relations/financial-results>.

The annual financial statements, including key audit matters can be found on the company website at www.momentummetropolitan.co.za. A printed copy of the full SENS announcement may also be requested from the Group Company Secretary's Office, Gcobisa Tyusha, Tel: +27 12 673 1931 or gcbisa.tyusha@mmltd.co.za and is available for inspection by appointment whilst observing the necessary Covid-19 restrictions, at the Company's registered office, weekdays Monday to Friday during office hours from 09:00 - 16:00.

The JSE link is as follows: <https://senspdf.jse.co.za/documents/2020/jse/isse/MTME/FY20Result.pdf>

SENS issue: 9 September 2020

Equity sponsor
Merrill Lynch SA (Pty) Ltd

Debt sponsor
Rand Merchant Bank (A division of FirstRand Bank Limited)